COMMUNICATION FROM THE EUROPEAN COMMUNITIES

The following letter, dated 27 March 1991, has been received by the Chairman of the Committee on Trade in Civil Aircraft from the Permanent Representative of the European Communities.

At the last meeting of the GATT Aircraft Committee, the Community explained in detail the reasons why it considers that the complaint brought by the United States Government against the exchange rate guarantee scheme operated by the Federal Republic of Germany in favour of its civil aircraft manufacturing industry should be dealt with under the Aircraft Agreement rather than under the Subsidies Agreement. This request was rejected by the United States representative. In a spirit of compromise, however, the European Community has not opposed the US request for the establishment of a Panel under the Subsidies Code, in the expectation that the terms of reference for this Panel would allow examination of this dispute in the light also of the relevant provisions of the GATT Aircraft Agreement.

Unfortunately, it would appear that the United States Government has refused this reference to the Aircraft Agreement.

For these reasons the Community formally proposes that the following terms of reference be adopted:

"To review the facts of the matter referred to the Committee by the United States in SCM/108 and, in the light of such facts, present to the Committee its findings concerning the rights and obligations of the signatories party to the dispute under the relevant provisions of the General Agreement as interpreted and applied by the Agreement on Interpretation and Application of Articles VI, XVI and XXIII of the General Agreement, as well as under the provisions of the Agreement on Trade in Civil Aircraft."

Since, in line with the nature of the case these Terms of Reference refer to both agreements their adoption should be discussed in both the Subsidies as well as the Civil Aircraft Committee. In our view the most appropriate way to proceed would be for both Committees to hold a joint meeting to discuss the matter.
We have written to Ms. Yang, Chairman of the Subsidies Committee in similar terms, and a copy of our letter is enclosed for your information.

We kindly request you to circulate the present letter to all members of the Aircraft Committee.

We hope that you will be able to make arrangements for this meeting as quickly as possible in order to expedite dispute settlement on this important matter.